

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 STR-06 /092 W
-----008642 131946Z /46

R 131741Z JAN 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 4771
INFO AMEMBASSY BUCHAREST
AMEMBASSY BRUSSELS
AMCONSUL BREMEN
USMISSION USNATO

C O N F I D E N T I A L SECTION 01 OF 02 BONN 00724

USEEC

E.O. 11652: GDS
TAGS: EEWT, RO, GW
SUBJ: ECONOMIC ASPECTS OF SCHMIDT'S VISIT TO ROMANIA

REF: (A) USNATO 0353 (NOTAL), (B) BONN 0063 (NOTAL),
(C) 77 BONN 20866 (NOTAL), (D) 77 BONN 19965
(NOTAL)

1. BEGIN SUMMARY. NO NEW MAJOR ECONOMIC DEVELOPMENTS
AROSE FROM SCHMIDT'S ONE DAY OFFICIAL VISIT TO ROMANIA
JANUARY 6 TO 7. THE FRG DID INCREASE BY DM 700 MILLION
THE AMOUNT OF EXPORT CREDIT GUARANTEES IT WOULD BE
WILLING TO EXTEND TO ROMANIA OVER THE NEXT FIVE YEARS.
THE ROMANIANS COMPLAINED ABOUT THE COLLAPSE OF THE
VFW-614 DEAL AND THE CONTINUING ROMANIAN TRADE DEFICIT
VIS-A-VIS THE FRG. DEPUTY PRIME MINISTER OPREA SAID
THE ROMANIANS WERE READY TO SIGN AN INVESTMENT
PROTECTION AGREEMENT. FRG OFFICIAL INFORMED EMBOFF
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THAT PREVIOUS FRG INTERVENTION RE BUCHAREST INTER-
NATIONAL TRADE CENTER HAD RESULTED IN PROMISE FROM
FOREIGN TRADE MINISTER PATAN THAT PARTICIPATION WOULD
BE VOLUNTARY. HOWEVER, THIS HAS NOT BEEN CONFIRMED
BY WORKING-LEVEL ROMANIANS INVOLVED IN THE CENTER.
END SUMMARY.

2. THE GERMAN GOVERNMENT COMMUNICATED THAT IT WOULD MAKE AVAILABLE EXPORT CREDIT GUARANTEES UP TO A TOTAL OF DM 700 MILLION OVER THE NEXT FIVE YEARS - THROUGH JUNE, 1983 - IN ADDITION TO ROMANIA'S CURRENT ANNUAL LIMIT OF DM 300 MILLION. ACCORDING TO GERMAN SOURCES, THE INCREASED GUARANTEE AVAILABILITY SHOULD EASE CONDITIONS ON GERMAN PRIVATE BANK LENDING IN CONNECTION WITH FINANCING EXPORT SALES TO ROMANIA. GERMAN OFFICIALS TELL US THAT RULES OF THE OECD CONSENSUS WILL BE ADHERED TO IN LENDING TO ROMANIA.

3. AS EXPECTED, THE ROMANIANS COMPLAINED ABOUT THE COLLAPSE OF THE VFW-614 CO-PRODUCTION AGREEMENT. THE GERMANS SAID THEY WOULD LOOK INTO THE MATTER IF TWO CONDITIONS WERE MET. FIRST, THE ROMANIANS AND VFW WOULD HAVE TO PRESENT EVIDENCE OF SALES ON A CASH BASIS ASSURING THAT THE PRODUCTION LINE COULD OPERATE FOR A TIME WITHOUT VFW RISKING FURTHER LOSSES.

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 00724

SECONDLY, SHAREHOLDERS OF VFW WOULD HAVE TO BE READY TO INVEST MORE MONEY TO PERMIT CONTINUED PRODUCTION IN SUCH A WAY THAT THE COMPANY IN BREMEN WOULD NOT

RUN THE RISK OF LOSSES. THE LIKELIHOOD OF THESE CONDITIONS BEING MET IS NIL. IN EFFECT, THE GERMANS ARE SAYING THEY WILL DO NOTHING MORE ABOUT THE VFW-614. PRESIDENT CEAUSESCU SAID HE WAS GLAD THAT THE DOOR WAS STILL OPEN, BUT IN THE GERMAN VIEW HE KNOWS THE PROJECT IS DEAD.

4. IN THE PRESENCE OF SCHMIDT AND CEAUSESCU, ROMANIAN DEPUTY PRIME MINISTER OPREA SAID THE INVESTMENT PROTECTION AGREEMENT BETWEEN THE TWO NATIONS CAN BE SIGNED. THE FRG HAS YET TO HEAR THIS FROM THE NEGOTIATORS, BUT IN VIEW OF THIS STATEMENT FROM THE POLITICAL LEADERSHIP, THEY EXPECT THE AGREEMENT WILL BE SIGNED UNDER LATEST FRG TERMS.

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5. ALTHOUGH THERE WAS NO FORMAL DISCUSSION OF THE BUCHAREST INTERNATIONAL TRADE CENTER DURING SCHMIDT'S VISIT, EMBOFF WAS INFORMED BY FRG OFFICIAL THAT PREVIOUS INTERVENTION ON BEHALF OF ALL WESTERN FIRMS BY GERMAN GOVERNMENT, RESULTED IN PROMISE FROM FOREIGN TRADE MINISTER PATAN THAT PARTICIPATION IN THE CENTER WOULD BE VOLUNTARY FOR ALL FIRMS. HOWEVER, INDICATIONS OF THIS HAVE NOT BEEN CONFIRMED BY ROMANIANS INVOLVED IN THE CENTER AT THE WORKING LEVEL. IN ANY CASE, THE FRG WILL INSIST THAT THE PARTICIPATION IN THE CENTER BE VOLUNTARY, PARTICULARLY IN LIGHT OF PATAN'S PROMISE.

6. IN RESPONSE TO ROMANIAN COMPLAINTS ABOUT THE TRADE IMBALANCE, SCHMIDT MERELY EXPRESSED HIS DESIRE THAT GERMAN-ROMANIAN TRADE BE IN BALANCE.
STOESSEL

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